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Message Text

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INFO OCT-01 ARA-06 ISO-00 EB-07 /014 R

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TO AMEMBASSY ASUNCION IMMEDIATE

C O N F I D E N T I A L STATE 107708

E.O. 11652: GDS
TAGS: BEXP, PA
SUBJECT: YACYRETA HYDROELECTRIC PROJECT

REF: (A) ASUNDION 1726, MAY 7, 1975
--- (B) STATE 92310, APRIL 22, 1975
--- (C) ALLIS-CHALMERS LETTER OF APRIL 29, 1975

1. INFORMATION REQUESTED BY REF (A) FOLLOWS. AS FAR AS USDOC MEPD KNOWS ALLIS-CHALMERS (A-C) PROPOSAL IS THE ONLY U.S. EFFORT TO ASSEMBLE A CONSORTIUM FOR THIS PROJECT. THE INITIATIVE FOR THE FORMATION OF THIS CONSORTIUM IS THAT OF A-C. THE MEPD'S ROLE IS THAT OF SUPPORTING AND ASSISTING THIS EFFORT BY FACILITATING OPEN COMMUNICATIONS WITH THE MIXED-COMMISSION WITH HELP OF EMBASSY. MAY 8 DISCUSSIONS WITH A-C AND BURNS AND ROE GAVE DEFINITE ASSURANCES OF THEIR SERIOUSNESS IN PURSUING THE CONSORTIUM APPROACH AND

THAT THEY HAVE INITIATED CONTACTS WITH GE AND WESTINGHOUSE AS WELL AS OTHERS. WE HAVE NO ASSURANCE AS TO THE OUTCOME OF CONSORTIUM DISCUSSIONS, HOWEVER, MEPD BELIEVES THIS IS A SERIOUS EFFORT ON PART OF A-C AND BURNS AND ROE. IT IS OUR UNDERSTANDING THAT SUGGESTION MADE ON MAY 6 TO AMBASSADOR CONFIDENTIAL

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BY BURNS AND ROE REPRESENTATIVE WAS BASED ON INGPARTEC'S RECOMMENDATION AND WAS NOT INTENDED TO PRECLUDE ANY OTHER CONTACTS DEEMED APPROPRIATE BY THE EMBASSY. WE BELIEVE AMBASSADOR NEED NOT APPROACH RODAS ORTIZ PERSONALLY.

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REGULAR EMBASSY CONTACTS MAY BE SUFFICIENT TO REPORT GOP REACTION TO A-C CONSORTIUM IDEA.

2. BACKGROUND: USDOC MEPD WAS CONTACTED BY A-C IN MID APRIL AND INFORMED OF ITS INTEREST IN ORGANIZING A GROUP OF U.S. FIRMS TO BID THE POWERHOUSE EQUIPMENT FOR THE YACYRETA HYDROELECTRIC PROJECT. A-C FELT THAT IN VIEW OF ITS EXPERIENCE IN PREVIOUS EXTREMELY LARGE PROJECTS OF THIS TYPE ITS POSITION WOULD BE GREATLY ENHANCED IF A TOTAL EQUIPMENT PACKAGE COULD BE NEGOTIATED WITH THE YACYRETA MIXED COMMISSION AT THIS EARLY STAGE. THIS IS SIMILAR TO THE APPROACH OF HYDROTURBINE AND GENERATOR MANUFACTURERS IN THEIR EFFORT ON ITAIPU EXCEPT THAT A-C IS ATTEMPTING TO NEGOTIATE PROJECT BEFORE THE FORMAL BID ANNOUNCEMENT OF YACYRETA WHEREAS THE VARIOUS EQUIPMENT

CONSORTIA WILL BID ON ITAIPU WHEN FORMAL BIDS ARE REQUESTED. A-C ALSO FEELS THAT THE FIRST PREREQUISITE IN OBTAINING THE TOTAL MIXED COMMISSION'S AGREEMENT IN A NEGOTIATION OF THIS SORT IS TO OBTAIN THE APPROVAL AND SUPPORT OF THE PARAGUAYAN SIDE OF THE MIXED COMMISSION. A-C HAS BEEN ENCOURAGED BY ITS BUENOS AIRES REPRESENTATIVE (S.A.M.I.T.) AND ITS BURNS AND ROE ASSOCIATE IN ASUNCION (INGPARTEC) WHICH AGREED TO REPRESENT A-C IN PARAGUAY USING THIS APPROACH.

3. ON APRIL 22 MEPD WAS REQUESTED BY A-C TO INFORM EMBASSIES ASUNCION AND BUENOS AIRES OF ITS BASIC INTENTION AND PLANNED VISITS DURING WEEK OF APRIL 28 AT WHICH TIME A-C COULD BRIEF THE EMBASSIES ON DETAILS OF THE A-C PLAN AND RESULTS OF PLANNED MEETINGS WITH THE MIXED COMMISSION INCLUDING A MEETING WITH PRESIDENT STROESSNER (REF B).

JUST PRIOR TO A-C'S DEPARTURE, INGPARTEC INFORMED BURNS AND ROE AND A-C THAT A-C'S INTENTIONS SOMEHOW HAD LEAKED OUT, AND THE SUBJECT OF A-C'S PLANNED VISIT WAS WELL KNOWN EVEN TO PRESIDENT STROESNNER AND PUBLICLY DISCUSSED CONFIDENTIAL

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IN ASUNCION. PRESIDENT STROESSNER'S REPORTED POSITIVE RESPONSE TO A-C'S APPROACH AND INGPARTEC SEEMINGLY HAVING A GOOD GRASP ON THE SITUATION, LED A-C TO DECIDE NOT TO VISIT ASUNCION AT THAT TIME, BUT TO BRIEF THE EMBASSY BY LETTER (REF C) OF ITS INTEREST IN THIS PROJECT. THE

LETTER WAS INTENDED TO EXPLAIN THE A-C BIDDING APPROACH TO THE PROJECT, TO REQUEST THAT THE EMBASSY OBTAIN A CANDID ASSESSMENT FROM GOP REGARDING A-C'S APPROACH TO THE

PROJECT AND TO OFFER WHATEVER SUGGESTIONS OR RECOMMENDATIONS THE EMBASSY MIGHT HAVE BASED ON ITS ASSESSMENT. A-C'S REQUEST FOR RECOMMENDATIONS ARE RESULT

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OF A-C'S AWARENESS OF EXCELLENT PAST COMMUNICATIONS
BETWEEN THE EMBASSY AND MEPD AND JOINT CONFIDENCE IN
CONTINUING EMBASSY'S PREVIOUS ENTHUSIASTIC ENCOURAGEMENT
AND SUPPORT OF U.S. FIRMS. KISSINGER

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